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November 16, 2001

Magalie R. Salas, Esq.  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: CC Docket No. 00-251 /  
In the Matter of Petition of AT&T Communications of  
Virginia, Inc., TCG Virginia, Inc., ACC National  
Telecom Corp., MediaOne of Virginia and MediaOne  
Telecommunications of Virginia, Inc. for Arbitration of  
an Interconnection Agreement With Verizon Virginia,  
Inc. Pursuant to Section 252(e)(5) of the  
Telecommunications Act of 1996

Dear Ms. Salas:

Enclosed for filing on behalf of AT&T and its affiliates listed above, please find an original and 3 copies of the Non-Proprietary Version of AT&T's Initial Brief on Non-Cost Issues. The Proprietary Version is being filed under separate cover.

Thank you for your attention to this matter. Should you have any questions, please do not hesitate to call.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mark A. Keffer", written over the typed name.

Mark A. Keffer

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FEDERAL COMMUNICATIONS COMMISSION  
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CC Docket No. 00-251

Stephanie A. Baldanzi

Before the  
Federal Communications Commission  
Washington, D.C. 20554

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In the Matter of )  
Petition of AT&T Communications )  
of Virginia, Inc., Pursuant )  
to Section 252(e)(5) of the )  
Communications Act, for Preemption ) CC Docket No. 00-251  
of the Jurisdiction of the Virginia )  
State Corporation Commission )  
Regarding Interconnection Disputes )  
with Verizon Virginia, Inc. )

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<sup>1</sup> This Brief is presented on behalf of AT&T Communications of Virginia, Inc., TCG Virginia, Inc., ACC National Telecom Corp., MediaOne of Virginia and MediaOne Telecommunications of Virginia, Inc. (together, "AT&T").

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**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

<b>In the Matter of</b>	)	
<b>Petition of AT&amp;T Communications</b>	)	
<b>of Virginia, Inc., Pursuant</b>	)	
<b>to Section 252(e)(5) of the</b>	)	
<b>Communications Act, for Preemption</b>	)	<b>CC Docket No. 00-251</b>
<b>of the Jurisdiction of the Virginia</b>	)	
<b>State Corporation Commission</b>	)	
<b>Regarding Interconnection Disputes</b>	)	
<b>with Verizon Virginia, Inc.</b>	)	

**AT&T'S INITIAL BRIEF IN SUPPORT OF  
ITS ARBITRATION OF AN INTERCONNECTION  
AGREEMENT WITH VERIZON VIRGINIA, INC.<sup>1</sup>  
NON-PROPRIETARY VERSION**

The bright promise of the 1996 Act is not being met. CLECs which attempted to enter local exchange markets on the belief that states would adhere to the Act's requirements and the FCC's *Local Competition Order* are now scaling back plans and, all too often, going bankrupt as investors, now painfully aware of the states' unwillingness or inability to spur the local competition Congress intended, direct their capital elsewhere. Investors, of course, have not been the only losers. Most consumers still cannot choose a local exchange carrier other than the incumbent. Price competition is non-existent. With no competitors in the market, there are no new services or innovations, nor is there any incentive for Verizon and other ILECs to develop them. The pace of broadband deployment is slowing and prices for high speed services are

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<sup>1</sup> This Brief is presented on behalf of AT&T Communications of Virginia, Inc., TCG Virginia, Inc., ACC National Telecom Corp., MediaOne of Virginia and MediaOne Telecommunications of Virginia, Inc. (together, "AT&T").

going up, not down.

This proceeding is the last best chance to make things right. In deciding the myriad issues raised in this arbitration, the FCC has an opportunity to show the states how to set UNE rates, how UNEs are to be deployed, and what the appropriate terms and conditions for interconnection should be. In doing so, it can finally unleash the benefits of the 1996 Act that Congress, the industry, the analysts and, most importantly, consumers have been waiting on for nearly six years.

### **NETWORK ARCHITECTURE ISSUES**

Absent the Act, Verizon could be expected to use its considerable market power, the strength and breadth of its network, and its distaste for competition to impose additional costs and burdens on any upstart carrier seeking to interconnect with it. Despite the Act, that is exactly what Verizon is trying to do here. Verizon's network interconnection proposals ignore, or at best give only lip service to, all of the Act's provisions empowering CLECs to determine how they will interconnect with Verizon:

- Verizon proposes that it be allowed to select where it delivers its traffic, or at a minimum identify the extent of its origination and termination obligations. Conversely, it proposes that AT&T be limited to two locations where it can deliver its traffic to Verizon for termination, with Verizon deciding which of the two would be used. This proposal precludes AT&T from implementing an efficient network design and forces AT&T to give Verizon full control of AT&T's origination and termination costs.
- Verizon proposes that, contrary to what the Act requires, it have the same interconnection options the Act gives AT&T. For example, Verizon argues it should be able to collocate in AT&T's space. It argues that it can require that AT&T share its own collocation so that Verizon can deliver its traffic to a convenient location, but that it should not have to pay AT&T's charges for use of AT&T's collocation space, even though AT&T must always pay for its use of collocation space in Verizon facilities.

- Verizon proposes that it always be compensated for its cost of transport associated with AT&T's originating traffic, but that AT&T not always be compensated for its costs of transport associated with Verizon's originating traffic.
- Verizon argues that it should be able to lower its reciprocal compensation payments by interconnecting at an AT&T tandem or end office, irrespective of whether AT&T even has a tandem in its network. Also, Verizon argues that it should always be fully compensated for its termination costs associated with delivering AT&T's traffic to the called party, even though, under Verizon's proposal, AT&T would not be fully compensated for its termination costs associated with delivering Verizon's traffic to the called party.
- Verizon argues it should receive reciprocal tandem transit service from AT&T, even though Verizon is the only carrier in the market with a ubiquitous network.
- Verizon argues that it should be able to lease facilities from AT&T under certain circumstances at non-distance sensitive rates, even though it would require AT&T, under similar circumstances, to pay Verizon's substantially higher access rates for leasing the same type of facilities.
- Verizon's view is that it is appropriate to include terms in the ICA for use of Verizon's tandems to deliver traffic from an AT&T local customer to another IXC, but inappropriate to include terms for use of AT&T's switch in delivering traffic from a Verizon local customer to an IXC. Under Verizon's approach, Verizon would not have to pay AT&T's access charges when AT&T is delivering traffic for IXCs, but AT&T would have to pay Verizon access rates when Verizon performs these same functions when AT&T delivers IXC traffic to Verizon's customers.
- Verizon argues that it can assign its customer a number with an NPA-NXX different than the NPA NXXs associated with the area where the customer is physically located and receive reciprocal compensation from AT&T for terminating calls to those customers. It does not, however, agree that AT&T can assign its customer a number with an NPA-NXX different than the NPA NXX associated with the area where the customer is physically located and receive reciprocal compensation from Verizon for terminating calls to such customers. Rather, under Verizon's view, AT&T must pay Verizon access rates in that circumstance.

The following sections will demonstrate why Verizon's proposals are illegal, inequitable, and harmful to both the development of competition and the welfare of Virginia consumers.

**Issue I.1 *Point of Interconnection* Should each Party be financially responsible for all of the costs associated with its originating traffic that terminates on the other Parties' network; regardless of the location and/or number of points of interconnection, as long as there is at least one Point of Interconnection per LATA?**

- I. **Each Party should be financially responsible for all of the costs associated with its originating traffic that terminates on the other Parties' network; regardless of the location and/or number of points of interconnection, as long as there is at least one point of interconnection per LATA. [Issue I-1]**
  - a. **The Point of Interconnection (POI) is the delineation point between a Carrier's origination and termination costs.**

This issue is a dispute about who should bear costs of transporting local traffic between the AT&T and Verizon networks. The terms interconnection and point of interconnection ("POI") are integrally related to the issue of originating and terminating transport obligations. Interconnection is the physical linking of two networks for the mutual exchange of traffic.<sup>2</sup> The Point of Interconnection, or POI, is the *location* where the parties mutually exchange their traffic.<sup>3</sup>

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<sup>2</sup> In the Matter of Implementation of the Local Competition Provision in the Telecommunications Act of 1996, *First Report and Order*, 11 FCC Rcd. 15499, 172, 176 (1996) ("Local Competition Order").

<sup>3</sup> The originating party can bring its traffic to a POI for interconnection in a variety of ways. It can provide the facilities itself, lease interconnection facilities from third parties, or lease interconnection facilities from the other party. In any event, when a carrier uses leased facilities to bring its traffic to the POI, the leased facilities remain part of the originating party's network, and the POI is still the point at which the two networks are interconnected for the mutual exchange of traffic. AT&T Exh. 3 at 10.

Each carrier is responsible for its origination costs; which are the costs related to delivering the originating local<sup>4</sup> traffic to the POI.<sup>5</sup> From the POI to the terminating customer, the other carrier assume operational responsibility to take that traffic to the designated end user, and charges the originating carrier reciprocal compensation rates established under § 251(b)(5).<sup>6</sup>

The FCC rules examine reciprocal compensation into two parts - the transport portion (which is transmission and any necessary tandem switching from the POI to the terminating carrier's end office switch that directly serves the called party) and the termination portion, (which involves the switching of the traffic at the terminating carrier's end office switch or equivalent facility and delivery of that traffic to the called parties premises).<sup>7</sup> By selecting a particular POI location, a carrier affects both the amount of reciprocal compensation it pays the other party (transport and termination costs) and its own network costs (origination costs). For example, a CLEC that delivers its traffic to a POI at the ILEC's tandem will pay both transport and termination costs to the ILEC to compensate it for taking the traffic from the tandem to the end office and ultimately to the called party. The CLEC's origination costs in that circumstance are the costs associated with getting traffic to the ILEC tandem. If, on the other hand, the CLEC

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<sup>4</sup> If the call is not a local call, then access charges rather than reciprocal compensation charges apply. AT&T and Verizon have agreed to carry both local and toll traffic on the same trunks and apply a percent local usage ("PLU") factor to those trunks. This factor will determine the percentage of reciprocal compensation vs. access charges that is due to the terminating carrier. Tr. 5 at 1619.

<sup>5</sup> The facilities that bring the traffic to the POI are the interconnection facilities.

<sup>6</sup> The reciprocal compensation obligations set forth in § 251(b)(5) requires carriers to provide for the mutual and reciprocal recovery by each carrier of the costs associated with transport and termination on each carrier's network facilities of calls that originate on the network facilities of the other carrier." The carriers should provide for that recovery through charges that reflect a "reasonable approximation of the additional costs of terminating such calls." § 252(d)(2)(A)(i)(ii).

select the ILEC's end office as its POI, its origination costs will be the costs to get its traffic to the end office, while its reciprocal compensation costs will only be the termination portion of reciprocal compensation (the cost from the end office to the called party). Thus, selection of the POI has a marked impact on a CLEC's costs of transport and termination.

**b. CLECs have the right to select the POI location.**

Both the Act and FCC orders provide that new entrants may interconnect at any technically feasible point. Section 251(c)(2)(3) obligates Verizon to allow interconnection by a CLEC at any technically feasible point. The *Local Competition Order* explained:

The interconnection obligation of section 251(c)(2), discussed in this section, allows competing carriers to choose the most efficient points at which to exchange traffic with incumbent LECs, thereby lowering the competing carriers' costs of, among other things, transport and termination of traffic.<sup>8</sup>

This same notion was repeated with regard to origination costs, where the FCC stated "Section 251(c)(3) gives competing carriers the right to deliver traffic terminating on an incumbent LECs network at any technically feasible point on that network rather than obligating such carrier to transport traffic to less convenient or efficient interconnection points."<sup>9</sup> Thus, although CLECs and ILECs each are responsible for the total costs of carrying their originating traffic to the called parties, a CLEC's POI selection affects how its costs are split between origination and termination.

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<sup>7</sup> 47 CFR 51.701(c)(d).

<sup>8</sup> *Local Competition Order* at ¶ 172 (emphasis added).

<sup>9</sup> *Id.* at 209.



Nothing in the Act or the *Local Competition Order* empowers the ILEC to select the POI, and with good reason. The ILECs already have ubiquitous networks, while the CLECs are only beginning theirs. That is precisely why the FCC observed that:

Section 251(c)(2) does not impose on non-incumbent LECs the duty to provide interconnection. The obligations of LECs that are not incumbent LECs are generally governed by sections 251(a) and (b), not section 251(c). Also, the statute itself imposes different obligations on incumbent LECs and other LECs (*i.e.*, section 251(b) imposes obligations on all LECs while section 251(c) obligations are imposed only on incumbent LECs).<sup>10</sup>

If Congress had wanted ILECs to have the ability to designate interconnection points and to have CLECs bear the same duty in establishing interconnection points that ILECs have, it could have specifically granted ILEC's that right as it did for non-incumbent carriers in § 251(c)(2). It did not, and its logic for not doing so is sound.

The FCC has consistently applied the statute and the *Local Competition Order* to prevent ILECs from increasing CLEC's costs by requiring multiple points of interconnection. Its June, 2000, *SWBT Texas 271 Order*, re-emphasized the point quite succinctly and emphatically:<sup>11</sup>

Section 251, and our implementing rules, require an incumbent LEC to allow a competitive LEC to interconnect at any technically feasible point. This means that a competitive LEC has the option to interconnect at only one technically feasible point in each LATA. (*citing, Local Competition Order* ¶¶ 172, 209).<sup>12</sup>

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<sup>10</sup> *Id.* at ¶ 220.

<sup>11</sup> Memorandum Report and Order, *Application by SBC Communications Inc., Southwestern Bell Telephone Company, And Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services In Texas*, CC No. 00-65, ¶ 78 (rel. June 30, 2000) (hereinafter "Texas 271 Order").

<sup>12</sup> The FCC made a similar pronouncement in a January 2001 Order granting in region interLATA authority to SWBT for Kansas and Oklahoma. Memorandum and Order, FCC 01-29, *Joint Application by SBC Communications Inc., Southwestern Bell Telephone Company and Southwestern Bell Communications Services, Inc. d/b/a/ Southwestern Bell Long Distance for Provision of In-region, interLATA service in Kansas and Oklahoma*, CC Docket No. 00-217 (January 22, 2001) ("Kansas and Oklahoma Order"). Moreover, the FCC has found the right of a

The Courts and state regulators have affirmed this view. Federal courts have rejected as inconsistent with § 251(c)(2) incumbents' efforts to require competing carriers to establish points of interconnection in each local calling area.<sup>13</sup> The vast majority of state commissions, as well, support the principle that it is the CLEC and not the ILEC that has the right to choose the POI locations.<sup>14</sup> For example, the Indiana commission, in adopting AT&T's network architecture proposal, acknowledged that if Ameritech's proposal (which is nearly identical to Verizon's proposal) were adopted, "AT&T would

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competing carrier to choose the point of interconnection, and conversely the unlawfulness of any attempts by incumbents to dictate points of interconnection, sufficiently clear and compelling to intervene in court reviews of interconnection disputes. For example, in an interconnection dispute in Oregon, the FCC intervened as *amicus curiae* and urged the court to reject US West's argument that the Act requires a competing carrier to "interconnect in the same local exchange in which it intends to provide local service." The FCC stated: "Nothing in the 1996 Act or binding FCC regulations requires a new entrant to interconnect at multiple locations within a single LATA. Indeed, such a requirement could be so costly to new entrants that it would thwart the Act's fundamental goal of opening local markets to competition." *Id.* at 20.

<sup>13</sup> See e.g., *US West Communications, Inc., v. Minnesota Public Utilities Commission, et al.*, No. 97-913 ADMAJB, slip op. at 33-34 (D. Minn. 1999) (rejecting US West's argument that section 251(c)(2) requires at least one point of interconnection in each local calling exchange served by US West); *U.S. West Communications, Inc. v. Hix, et al.*, No. C97-D-152, (D. Colo., June 23, 2000). (A district court in Colorado reversed a state commission's order that a CLEC must establish an interconnection point in every local calling area. The Colorado court held that under the Act and the FCC regulations, "it is the CLEC's choice, subject to technical feasibility, to determine the most efficient number of interconnection points, and the location of those points."); *US West Communications v. AT&T Communications of the Pacific Northwest, Inc., et al.*, No. C97-1320R, 1998 U.S. Dist. LEXIS 22361 at 26 (W.D. Wa. July 21, 1998) (A district court in Washington affirmed the state commission's determination that AT&T may establish a single interconnection point within each LATA and rejected the ILEC's contention that a CLEC must have an interconnection point in every local calling area in which it offers service.).

<sup>14</sup> See, Opinion, *Application of AT&T Communications of California (U5002C), et al., for Arbitration of an Interconnection agreement with Pacific Bell Telephone Company Pursuant to Section 252(b) of the Telecommunications Act of 1996*, No. 00-01-022, p. 13 (CA PUC Aug. 3, 2000). (In California, the state commission similarly considered both statutory and policy grounds when it decided to adopt AT&T's proposal. The commission found that "AT&T is in the best position to analyze its traffic volumes and decide, in specific circumstances, whether it is more economical to interconnect at the tandem or end office."); Order Addressing and Affirming Arbitrator's Decision No. 5, *In the Matter of the Petition of TCG Kansas City, Inc. for Compulsory Arbitration of Unresolved Issues with Southwestern Bell Telephone Company Pursuant to Section 252 of the Telecommunications Act of 1996*, p.3,4, 9 (Aug. 7, 2000) (The Kansas Commission rejected SWBT's interconnection point arguments); Decision of Arbitration Panel, *AT&T Comm'ns of Michigan Inc. and TCG Detroit's Petition for Arbitration*, Case No. U-

be required to build its network to mirror Ameritech Indiana's—in effect—replacing Ameritech Indiana's network with a redundant AT&T network.”<sup>15</sup> The Indiana commission “reject[ed] the notion that Ameritech Indiana can compel a carrier to engage in this type of wasteful effort.”<sup>16</sup>

**c. The originating carrier has the financial obligation to deliver its traffic to the POI**

The originating carrier must bear the costs of delivering its traffic to the POI. FCC regulations, at 47 C.F.R. § 51.703(b), provide that:

A LEC may not assess charges on any other telecommunications carrier for local telecommunications traffic that originates on the LEC's network.

Further, 47 C.F.R. § 51.709(b) reads:

The rate of a carrier providing transmission facilities dedicated to the transmission of traffic between two carriers' networks shall recover only the costs of the proportion of that trunk capacity used by an interconnecting carrier to send traffic that will terminate on the providing carrier's network.

These rules spring from the *Local Competition Order*, where the FCC addressed this fundamental rule that each party bears responsibility for the costs of transporting its own traffic:

The amount an interconnecting carrier pays for dedicated transport is to be proportional to its relative use of the dedicated facility. For example, if the providing carrier provides one-way trunks that the inter-connecting carrier uses exclusively for sending terminating traffic to the providing carrier, then the inter-connecting carrier is to pay the providing carrier a rate that recovers the full forward-looking economic cost of those trunks. The inter-connecting carrier, however, should not be required to pay the providing carrier for one-way trunks in

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12465 (Oct. 18, 2000) at 4, 19 (The Michigan PUC affirmed the arbitrator decision that AT&T had offered a better resolution to the interconnection issue).

<sup>15</sup> Decision, *Petition for Arbitration of Interconnection Rates, Terms and Conditions and Related Arrangements with Indiana Bell Telephone Company, Inc., d/b/a/ Ameritech Indiana Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Cause No. 40571-INT-03 at 19.

<sup>16</sup> *Id.* at 20-21.

the opposite direction, which the providing carrier owns and uses to send its own traffic to the inter-connecting carrier.<sup>17</sup>

Other orders have affirmed the basic principle that the originating carrier is obligated to bring its originating traffic to the POI.<sup>18</sup> Most recently, in the *InterCarrier Compensation NPRM*, the FCC stated: “Under our current rules, the originating telecommunications carrier bears the costs of transporting traffic to its point of interconnection with the terminating carrier.”<sup>19</sup>

The majority of state Commissions, as well, support this rule. In addition to the state decisions, cited above, finding that the originating carrier is required to transport its traffic to the POI, the Florida Commission in a recent AT&T arbitration likewise found that each party should be financially responsible for delivering its traffic to a POI—even if it is a single POI within a LATA.<sup>20</sup>

Similarly, Massachusetts directly addressed this issue two cases where the state commission rejected Verizon’s GRIP and VGRIP proposals, finding that each carrier has the obligation to transport its own customer’s calls to the POI (and then pay reciprocal

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<sup>17</sup> *Local Competition Order* at ¶ 1062 (emphasis added).

<sup>18</sup> See *In re TSR Wireless LLC, et al., v. U.S. West*, File Nos. E-98-13, et. al., FCC 00-194, (June 21, 2000) (Appeal Filed *sub nom. Qwest Corp. v. FCC*) Docket No. 00-1376(DC Cir. Aug. 17, 2000) (The FCC ruled in support of paging carriers that had alleged that US West and other ILECs had improperly imposed charges for facilities used to deliver LEC originated traffic. The FCC determined that any LEC efforts to continue charging CMRS or other carriers for delivery of such LEC originated traffic would be unjust and unreasonable.); *Kansas and Oklahoma Order* at ¶ 233-235. (The FCC addressed this issue in dicta in its order approving Southwestern Bell’s application for interLATA service in Kansas and Oklahoma. The issue discussed was whether SWBT could charge CLECs for transport costs associated with delivering its traffic to a POI, if the POI was located outside the SWBT local calling area. Although the issue was one of future compliance, the FCC nonetheless cautioned SWBT from “taking what appears to be an expensive and out of context interpretation of findings we made in our SWBT Texas Order concerning its obligation to deliver traffic to a competitive LEC’s point of interconnection.”) *Id.* at ¶ 335.

<sup>19</sup> *InterCarrier Compensation NPRM* at ¶70.

compensation to compensate the terminating carrier for the costs of transport and termination).<sup>21</sup> In the Interconnection Tariff case the Massachusetts Commission stated:

Carriers are responsible to provide transport or pay for transport of their originating calls, including reciprocal compensation, between their own originating and the other carrier's terminating end-users customers. Because Bell Atlantic's GRIP proposal would require CLECs to establish additional interconnection points at Bell Atlantic tandem and end offices and does not allocate transport costs in a competitively neutral manner, we reject it. We direct Bell Atlantic to revise its tariff to eliminate the GRIP proposal and to include a provision that reflects that each carrier has an obligation to transport its own customers' calls to the destination end-user on another carrier's network or bear the cost of that transport.<sup>22</sup>

Most recently the Georgia Public Service Commission rejected Bell South's demand that competitive LECs bear financial responsibility for the costs of hauling [a] local call outside the local calling area in which it originated, stating:

[Even] [a]ssuming a CLEC's choice of interconnection at a single point in the LATA resulted in greater transport costs than if the CLEC established a POI in each local calling area within the LATA, it still does not lead to the conclusion that the CLEC should bear the costs of transporting the traffic to the POI. To draw such a conclusion would be to argue that a CLEC should pay a price for taking advantage of its rights under the Federal Act as construed by the FCC. Stated in the converse, it is to argue that an ILEC should receive additional compensation for meeting its duty under the Federal Act. Presumably, Congress believed imposing upon ILECs the specific interconnection obligations would best accomplish the goals of the legislation. Shifting cost recovery from [an ILEC] to a CLEC simply because a CLEC took advantage of its rights under the Federal Act

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<sup>20</sup> *Petition by AT&T Communications of the Southern States, Inc. d/b/a/ AT&T for Arbitration of Certain terms and conditions proposed by Bell South Telecommunications, Inc. pursuant to 47 U.S.C. Sec. 252, Dkt. No. 000731-TP at 34-46 (June 28, 2001).*

<sup>21</sup> *Bell Atlantic Interconnection Tariff*, D.T.E. 98-57 at 132-133 (March 24, 2000); *MediaOne/Bell Atlantic Arbitration*, D.T.E. 99/42/43, 99-52 at 12-13 (March 24, 2000).

<sup>22</sup> *Bell Atlantic Interconnection Tariff* at 133; see also, *Order, Joint Petition of AT&T Communications of New York, Inc., TCG New York, Inc., and ACC Telecommunications Corp. Pursuant to Section 252 (b) of the Telecommunications Act of 1996 for Arbitration to establish an Interconnection Agreement with Verizon New York, Inc., Case 01-C-0095 (July 30, 2001)*. (The New York Public Service Commission in an AT&T TCG arbitration with Verizon rejected Verizon's multiple POI proposal and affirmed its earlier network interconnection policy that makes each party responsible for the costs associated with traffic that their respective customers originate until it reaches the point of interconnection).

would undermine this Congressional intent. As AT&T stated in its Brief, “It is a hollow gesture to allow CLECs to designate a single point of interconnection and then require CLECs to pay the difference of the cost of that single point of interconnection and the cost of multiple points of interconnection in every BellSouth basic local calling area.” (AT&T Brief, p. 23).<sup>23</sup>

**d. Verizon’s interconnection proposal is not consistent with interconnection principles relating to POI and a carrier’s obligations relating to traffic origination and termination costs.**

Verizon’s proposal must be rejected as contrary to the Act’s basic interconnection principles because: (1) Verizon’s proposals would enable it, rather than AT&T, to select the locations where traffic is delivered for termination, for both its traffic and for AT&T’s traffic; and (2) Verizon’s proposals would transfer a substantial amount of its origination and termination costs to AT&T. Indeed, Verizon’s VGRIP proposal and its associated interconnection proposal<sup>24</sup> violate the Act and the associated interconnection rules; would impose extremely inefficient interconnection design on AT&T; and would transfer a significant amount of Verizon’s costs to AT&T.

**i. Verizon’s distinction between POI and IP has no basis in the law.**

First, Verizon wants to create a distinction between a POI and what it terms an “interconnection point” (“IP”), even though no such distinction exists under the Act or in the Commission’s rules. Verizon wants to treat the POI as the location where the parties’

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<sup>23</sup> Final Order, Docket No. 13542-U, at 3, 5-6 (Ga. PSC Order, July 23, 2001).

<sup>24</sup> Although there was some initial confusion regarding the difference between Verizon’s VGRIP and GRIP proposals, it became clear during the hearings that the Verizon language proposed to AT&T and filed in this arbitration represents the VGRIP proposal. Thus, for AT&T’s purposes in this brief, the VGRIP proposal is the only proposal that will be discussed in this section as part of Verizon’s interconnection proposal. Moreover, in terms of the use of the term VGRIP, Verizon makes the distinction that VGRIP relates only to the circumstances where it delivers traffic to AT&T, and does not address the issues relating to where AT&T delivers traffic to Verizon. Tr. at 1336.

facilities *physically* interconnect,<sup>25</sup> but then wants to use its own creation, the “IP” as the location where the carriers’ *financial* responsibilities begin and end, *i.e.*, where reciprocal compensation begins, or where the originating carrier delivers its traffic for termination.<sup>26</sup>

Nothing in the Act or the Commission’s rules or decisions provides such a distinction. While the Act and the FCC’s decisions use the terms *interconnection point* and *point of interconnection* interchangeably and without distinction, (see § 251(c)(2), providing that that CLECs may interconnect at any technically feasible point, ¶¶ 172 and 209 of the *Local Competition Order* citing §251(c)(2) in explaining how the POI selection affects a carrier’s costs of origination and termination,<sup>27</sup> and FCC rule 47 CFR 1.701(c),<sup>28</sup> establishing where reciprocal compensation begins), nothing creates, or even suggests, the sort of distinction Verizon is now attempting to create.

Verizon’s purpose in creating this artificial distinction, of course, is to enable it, and not AT&T, to select the POI for both its traffic and for AT&T’s traffic, and, in doing so, to shift costs to AT&T.<sup>29</sup> While Verizon’s approach would allow CLECs to select the

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<sup>25</sup> Verizon Exh. 4 at 4.

<sup>26</sup> *Id.*

<sup>27</sup> Paragraph 172 explains that the interconnection obligation of 251(c)(2) “allows competing carriers to choose the most efficient points at which to exchange traffic with incumbent LECs, thereby lowering the competing carriers costs of, among other things, transport and termination.” Paragraph 209 explains that “Section 251(c)(2) gives competing carriers the right to deliver traffic terminating on an incumbent LECs network at any technically feasible point, rather than obligating such carriers to transport traffic to less convenient or efficient interconnection points.” *Local Competition Order* at ¶¶ 172, 209.

<sup>28</sup> Specifically, 47 CFR 1.701(c) states as follows: (c) For purposes of this subpart, transport is the transmission and any necessary tandem switching of local telecommunications traffic subject to 251b5 of the Act from the interconnection point between the two carriers to the terminating carriers end office switch that directly serves the called party, or equivalent facility provided by the carrier other than an incumbent LEC.” (Emphasis supplied).

<sup>29</sup> Verizon’s counsel questioned AT&T’s witness Mr. Talbott as to why AT&T was objecting to the use of the terms POI and IP when it used those same terms in its North Carolina Arbitration with Bell South. Mr. Talbott explained that the relevant issue is not that the terms POI and IP were

location where a CLEC's network *physically* delivers its originating traffic to Verizon,<sup>30</sup> this physical location, in Verizon's view, would not necessarily define where the CLEC's costs of origination end and reciprocal compensation begins. Under Verizon's contract language, "to the extent the originating party's POI is not located at the receiving parties relevant IP, the originating party is responsible for transporting its traffic from the POI to the receiving party's IP."<sup>31</sup> Thus, under Verizon's approach, it is the Verizon-created "IP," rather than the POI, that would establish where the originating party must deliver its traffic, and where the terminating party picks up the traffic and delivers to the end user. The "IP" would define each party's responsibility for delivering traffic (costs of origination) and paying reciprocal compensation (costs of termination). But this makes the Verizon-created "IP" nothing more than a POI in disguise. It has no basis in the law.

**ii. Verizon's proposal to shift its traffic origination costs onto AT&T is contrary to law.**

Verizon wants to apply its "IP" concoction in ways that reduce its costs and maximize those of the CLEC. Verizon views the "IP" as the location where AT&T must deliver AT&T-originated traffic to Verizon<sup>32</sup> and where AT&T's reciprocal compensation obligations begin.<sup>33</sup> Moreover, even though the Act provides that CLECs

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used, but rather how those terms were used. The manner in which Verizon uses the terms in Virginia are vastly different than how AT&T used the terms in the North Carolina proceeding. Tr. at 961-962. Moreover, he noted that a review of the position AT&T took in North Carolina is substantially the same as the position AT&T is taking in Virginia. *Id.* at 964. The primary difference in AT&T's position in Virginia, he noted, is that it is refining the terminology to more accurately reflect the law and to be more consistent with how the FCC has defined the POI in the recent Kansas/Oklahoma 271 decision. *Id.*

<sup>30</sup> Tr. 4 at 1152.

<sup>31</sup> Verizon Proposed Contract § 4.1.2

<sup>32</sup> Verizon Proposed Contract § 4.1.3.1; Tr. 4 at 1160.

<sup>33</sup> Verizon Proposed Contract § 4.1.3.



may interconnect at any technically feasible point, Verizon identifies only two locations where its “IP” could be—AT&T would have to deliver its traffic to either the Verizon tandem or end office switch serving the Verizon called party.<sup>34</sup> Thus, even though the Act empowers the CLECs to select the point of interconnection, Verizon, through its “IP” creation, wants to deed to itself sole discretion to decide where the Verizon “IP” is location, a point Verizon’s witnesses affirmed.<sup>35</sup>

This restriction denies AT&T its right pursuant to § 251(c)(2) to deliver its traffic for termination to any technically feasible point. That fact alone is a sufficient basis to reject Verizon’s “IP” proposals.

Verizon’s proposals for the AT&T or “CLEC IP” (the location where Verizon delivers its traffic) are no better. Under §§ 4.1.3.2, 4.1.3.3 and 4.1.3.4 of Verizon’s proposed contract language, which are the basis for Verizon’s VGRIP proposal, Verizon, and not AT&T, would have primary control of the selection of the location. Simply put, Verizon, would give itself the choice of where it delivers its traffic; conferring upon itself a right that is not granted to ILECs in the Act.<sup>36</sup>

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<sup>34</sup> Verizon Proposed Contract § 4.1.3.1.

<sup>35</sup> When asked which entity chooses the Verizon IP, Mr. D’Amico, responded “Verizon, or the fact that the CLECs have agreed to it” Tr. 4 at 1157. That candor is refreshing, but not surprising. Verizon makes no secret of its desire to limit how and where AT&T can deliver its traffic. For example, as discussed elsewhere in this brief, Verizon’s view is that (i) AT&T may not deliver its traffic to a tandem if the traffic volume to Verizon reaches a particular threshold; (ii) AT&T may not deliver traffic to a tandem if the traffic volume destined to a third party reaches a particular threshold; (iii) AT&T may not deliver its traffic to a particular end office or tandem if it proposes to deliver the traffic at a DS3 level and that particular location is not a hub location listed in Verizon’s NECA 4 tariff; and (iv) AT&T may be restricted from delivering traffic to a tandem that is designated by Verizon as an access tandem. See Tr. at 1271, 1324.

<sup>36</sup> See discussion of this issue at Issue I.1, *supra*.

For Verizon's originating traffic, Verizon proposes that it be permitted to demand<sup>37</sup> that AT&T establish an AT&T IP at:

- (1) a collocation site at each Verizon Tandem in a: LATA;<sup>38</sup>
- (2) in the case of a single Tandem LATA, at a collocation site at each Verizon End Office Host;<sup>39</sup>
- (3) in the case of a LATA with no Verizon Tandem, at a collocation site such other Verizon Wire Center as determined by Verizon;<sup>40</sup>
- (4) at any Verizon end office that serves traffic originated by Verizon where AT&T has a collocation site;<sup>41</sup>
- (5) at any technically feasible location where AT&T offers an IP to another party that is not a party to this agreement (this may be at a Verizon tandem, end office or any technically feasible point).<sup>42</sup>

If under any of the scenarios 1 through 4 AT&T does not agree to allow Verizon to deliver its traffic to the collocation site (either because AT&T does not have a collocation arrangement at the requested location, or it does not want to use its collocation site as a location for Verizon to deliver its traffic), then Verizon would impose what it terms a "transport offset,"<sup>43</sup> whereby AT&T would be required to reduce the reciprocal compensation billed to Verizon, so that all Verizon would pay AT&T is the end office rate less Verizon's monthly recurring rate for unbundled dedicated transport

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<sup>37</sup> While there is a sentence in § 4.1.3.2 of Verizon's contract language that states: "AT&T shall identify its IPs in writing pursuant to section 4.4", when all the language of these sections is reviewed, it is clear that the "choice" referenced in that section is of no relevance because Verizon can override that choice whenever it chooses.

<sup>38</sup> Verizon Proposed Contract § 4.1.3.2.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> *Id.* at § 4.1.3.4.

<sup>42</sup> *Id.* at § 4.1.3.3.

<sup>43</sup> Tr. at 1157.

from Verizon's originating end office to the AT&T IP.<sup>44</sup> The result is that Verizon's financial obligations for origination of its traffic are calculated as if Verizon handed off the traffic at its end office serving the originating customer no matter what,<sup>45</sup> because although Verizon will deliver the traffic from the Verizon end office to the AT&T office that serves the called party, the "transport offset" would require AT&T to absorb the cost of the transport to that AT&T office.<sup>46</sup>

AT&T Exhibits 31-34 illustrate the inequity and illegality of Verizon's "IP" proposal. The four call scenarios shown on the exhibit—two Verizon originating and two AT&T originating—highlight how Verizon's proposals would shift financial responsibility to the CLECs.<sup>47</sup> Verizon's witnesses agreed on cross that these diagrams accurately reflected their proposal.<sup>48</sup>

Exhibit 31 depicts a call originated by a Verizon customer in City A to an AT&T customer in City A. If AT&T were to submit to Verizon's demand that AT&T's IP be located at the Verizon end office, Verizon's obligations for traffic delivery would end

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<sup>44</sup> Tr. at 1157. Verizon's witness could not explain exactly how this transport offset would work since the IOF rate is a fixed and per mile rate. He indicated that perhaps an average mileage would be used, divided by an assumed MOU. Tr. at 1362.

<sup>45</sup> When coupled with Verizon's intercarrier compensation proposal, that it would pay only the termination portion of reciprocal compensation (the end office rate), Verizon has effectively eliminated all transport costs for its traffic (both transport costs associated with the origination of traffic and transport costs associated with the termination of traffic) and shifted them to AT&T.

<sup>46</sup> As will be discussed further in Issue III.1 of this brief, Verizon will not pay AT&T the tandem reciprocal compensation rate for terminating traffic but rather claims that AT&T should only receive the end office rate. Verizon's position results in AT&T not being compensated for its cost of termination from its end office to the called party. Thus, AT&T is not paid for the transport from the Verizon end office to the AT&T switch pursuant to Verizon's VGRIP proposal; and given Verizon's reciprocal compensation proposal, AT&T is will also not be completely compensated for the costs it incurs for taking the traffic from its switch to the called party.

<sup>47</sup> Tr. at 1162.

<sup>48</sup> *Id.*

there<sup>49</sup> and AT&T would be required to carry the call on to its switch and then to the called customer. Because Verizon would pay only the termination portion of reciprocal compensation,<sup>50</sup> which only compensates for costs from the AT&T switch serving the called party,<sup>51</sup> AT&T would not be compensated at all for its transport costs from the Verizon end office serving the called party to the AT&T switch—a violation of the reciprocal compensation obligations under § 251(b)(5) of the Act.

The reverse scenario, depicted in AT&T Exhibit 32, yields a very different, and Verizon-oriented, result. Where the AT&T customer in City A calls the Verizon customer in City A, Verizon would be fully compensated, because AT&T would be required to deliver the call to the Verizon IP at the Verizon end office serving the Verizon customer, and AT&T would pay Verizon the end office termination rate for completing the call to the Verizon customer. Unlike with Exhibit AT&T 31, where AT&T was the terminating carrier and was not fully compensated for its costs, Verizon as the terminating carrier in this case would be fully compensated.

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<sup>49</sup> If AT&T does not agree, Verizon would deliver its traffic to AT&T's switch, but the transport offset described above will apply. Either way, AT&T ends up being financially responsible for that transport. This scenario also demonstrates the irrelevance of the POI as Verizon defines it. If AT&T agrees to allow Verizon to deliver its traffic to AT&T's collocation cage at Verizon's end office, then the two companies' facilities physically interconnect at Verizon's end office. According to Verizon's definition, Verizon's end office would be the POI. However, if AT&T does not agree to allow Verizon to collocate at its collocation cage at Verizon's end office, Verizon will deliver the traffic to AT&T's switch. Thus, AT&T and Verizon's facilities physically connect at AT&T's switch, and therefore, AT&T's switch becomes the POI, as Verizon defines it. However, in either case, whether the POI is at Verizon's switch or at AT&T's switch, AT&T still ends up being financially responsible for the cost of transport from Verizon's switch to AT&T's switch.

<sup>50</sup> Tr. at 1163.

<sup>51</sup> 51.701(d) states "...termination is the switching of the local telecommunication traffic at the terminating carrier end office switch or equivalent facility, and deliver of such traffic to the called part's premise."

These illustrations highlight how Verizon's proposal is at odds with the Act.<sup>52</sup> Section 4.1.3.1 of Verizon's language requires that the Verizon IP be either at the tandem or the end office serving the *called*, not the calling, customer. Thus, under Verizon's proposal, AT&T would not have the right, like Verizon would give itself (as illustrated in AT&T Exhibit 31), to choose to deliver its traffic to its switch serving the originating customer. Rather, AT&T would be forced to deliver its traffic to either the Verizon tandem or end office switch serving the called party. This is flatly at odds with the right provided by § 251(c)(2) which, according to the FCC, gives "competing carriers the right to deliver traffic terminating on an incumbent LECs network at any technical feasible point, rather than obligating such carrier to transport traffic to less convenient or efficient points."<sup>53</sup>

The underlying assumption in Verizon's VGRIP proposal to limit its origination and transport costs is that Verizon should not generally be required to transport its local

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<sup>52</sup> AT&T Exhibits 33 and 34 demonstrate the same inequities in Verizon's proposal, but in a scenario where the called and calling party are located in different cities. The diagrams for AT&T Exhibits 33 and 34 would be the same in terms of financial responsibility (the red and black lines) regardless of whether the call between the two cities was a local call or a toll call. This is because the parties have agreed to carry local and intraLATA toll calls on the same trunks. Thus, the facilities and the rules for the facilities (where the POI and IPs are, and which carrier pays for what part of the call) are the same. The difference is the compensation paid to the terminating carrier for completing the call. AT&T and Verizon have agreed that they will report PLU factors for the trunks that carry the combined local and toll traffic. These factors determine whether the receiving carrier will receive reciprocal compensation or access for completing the call. *See* Tr. at 1368, 1370, 1619. The other distinction is that Verizon does not propose for toll calls, to implement a transport offset. Tr. at 1378. Thus, the transport offset would only apply to the percentage of calls that are identified as local per the PLU factor, if AT&T had refused to allow Verizon to deliver its traffic to one of the requested locations set forth in §§ 4.3.2 and 4.1.3.4 in Verizon's Contract. Both of these exhibits however demonstrate that Verizon may limit its origination obligations to its switch serving its end user, but AT&T may not. Moreover, Verizon is fully compensated for its costs of terminating a call from AT&T, but AT&T is not compensated for the transport between the Verizon end office serving the calling party and the switch that serves the called party. Tr. at 1167, 1169, 1170, 1176.

<sup>53</sup> *Local Competition Order* at ¶ 209.

calls beyond its local calling area, despite unequivocal legal obligations to the contrary.<sup>54</sup>

However, Verizon's local calling areas are not, and should not be, the basis for defining network interconnection and where a carrier's financial responsibility for carrying traffic ends. Besides being contrary to the interconnection principles in the Act, there is no logical, economic or technical reason to use Verizon's legacy local calling areas to define the basis of network interconnection and the division of financial responsibility between carriers.<sup>55</sup> Verizon's local calling areas are an artifact of history and the evolution of Verizon's under different regulatory and technological constraints. Over the past century, Verizon's local calling areas were developed and modified around the then-current technology and network capabilities.<sup>56</sup> Today the broad geographic coverage of AT&T's local switches simply does not correspond to Verizon's legacy network architecture.<sup>57</sup>

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<sup>54</sup> Verizon Exhibit 4 at 4. Although the VGRIP proposal provides some possibility that Verizon will deliver traffic beyond the local calling area should Verizon decide to deliver its traffic to its tandem rather than to its end office, in most cases AT&T will be responsible for the transport outside the local calling area.

<sup>55</sup> AT&T Exh. 3 at 25.

<sup>56</sup> *Id.*

<sup>57</sup> Verizon's network and AT&T's network are configured differently, yet must still interconnect to serve a similar geographic base of customers. Specifically, the key distinction between the two networks is that while Verizon deploys tandems to interconnect multiple switches spread throughout the geographic area, and then grows into dedicated high usage trunks between such switches, AT&T deploys a single switch combined with long transport on the end user side of the switch, because that combination is less costly than adding a new switch in each part of a market. AT&T Exh. 3 at 6.

Because of those differences, if AT&T designates a single point of interconnection in a LATA, it is possible that a call from a Verizon customer in a Verizon basic local calling area to an AT&T customer in that same basic local calling area will have to travel outside the basic local calling area to the point of interconnection before it reaches AT&T's switch and ultimately AT&T's customer. This possibility reflects the different network configurations deployed by AT&T and Verizon, and, in particular, the different emphasis on the number and location of switches. AT&T Exh. 3 at 26.

Further, not even Verizon adheres to its own local calling areas.<sup>58</sup> Verizon now offers a number of expanded local calling area plans, including essentially LATA-wide local calling in Northern Virginia.<sup>59</sup> The existence of these plans dispels any suggestion that there is any real economic or technical significance to Verizon's existing local calling areas.<sup>60</sup>

More fundamentally, however, interconnection based solely on Verizon's local calling areas does not foster competition or benefit consumers. Limiting interconnection options based on Verizon's local calling areas would discourage competitors from expanding their own local calling areas for the benefit of customers and competition.<sup>61</sup> Any use of Verizon's local calling areas as the basis for POI locations and financial responsibility would substantially compromise the efficiencies of AT&T's network architectures, would effectively force AT&T into an inefficient Verizon-look-a-like arrangements, and would force AT&T's customers to bear the burden of those inefficiencies.<sup>62</sup>

**iii. Verizon's proposal to deliver its traffic to AT&T's collocation facilities is contrary to law.**

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<sup>58</sup> AT&T Exh. 3 at 26.

<sup>59</sup> Verizon customers in Alexandria-Arlington, Fairfax-Vienna and Falls Church-McLean have virtually LATA-wide local calling and extended area calling within the Virginia portion of LATA 236. The Stafford exchange (formerly GTE territory) is the only Virginia exchange in LATA 236 NOT included in the local calling area -- but Leesburg, which is part the LATA 246 (Culpeper), is included. Also, the Norfolk and Newport News local calling areas in LATA 252 encompass all of the LATA, except Knotts Island and a portion of the lower peninsula. Richmond has local and extended area calling that encompasses Verizon Virginia's entire portion of the LATA except Cartersville, Cumberland and Fife. AT&T Exh. 3 at 26-27.

<sup>60</sup> Moreover, local calling areas are not fixed but rather change over time. Verizon can initiate these changes or they can be mandated by regulatory requirements -- such as requirements for rate center consolidation. Tr. at 1218-19.

<sup>61</sup> AT&T Exh. 3 at 27.

<sup>62</sup> *Id.*

Verizon proposes that it be entitled to deliver its traffic at AT&T's collocation facilities (and to demand that AT&T create collocation facilities if none exist<sup>63</sup>), which means that AT&T would be required to "pick up" Verizon's traffic at the AT&T collocation arrangement and transport it back to the AT&T terminating switch for free. It also means that Verizon would be dictating where it interconnects with AT&T and, moreover, that it would be granted a particular method of interconnection. Nothing in the Act gives Verizon these rights. Apart from the fact that this proposal, if adopted, would force AT&T to absorb Verizon costs, it would also hinder AT&T's efforts to enter the local market. AT&T uses—or plans to use—collocation space within Verizon end offices to interconnect to UNEs (*e.g.*, for loop re-sale).<sup>64</sup> If AT&T is forced to devote a portion of its limited collocation resources to handle Verizon's traffic, its costs of collocation will increase and its ability to use collocation space efficiently will be severely impeded. Many Verizon central offices have limited or no collocation space available.<sup>65</sup> Because Verizon's charges for collocation space are so high, AT&T orders the smallest collocation arrangements it can to meet its needs. Obviously the number of trunks and lines that may be provisioned through any one collocation arrangement are limited by the space within the cage. Every Verizon trunk AT&T would be forced to accept would, for all practical purposes, displace one customer line that AT&T could use

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<sup>63</sup> See Verizon Proposed Contract § 4.1.3.2.

<sup>64</sup> AT&T Exh. 3 at 33.

<sup>65</sup> *Id.* at 32.



to serve its customers.<sup>66</sup> At some point, Verizon's trunks would exhaust AT&T's collocation arrangements.<sup>67</sup>

Thus, Verizon's collocation interconnection proposal, even if it were permitted under the law—which it is not<sup>68</sup>—would still be harmful in two ways. It would require AT&T to carry Verizon's traffic for free. And it would impede AT&T's ability to serve customers using collocation arrangements. Verizon's proposal should be rejected.

**iv. Verizon's proposal inappropriately transfers significant costs to AT&T.**

As noted above, Verizon's proposal reduces its transport burden for its originating traffic and transfers those costs to AT&T. AT&T estimates that Verizon's proposals would increase AT&T's local interconnection costs by between \$1,800,000 and \$3,079,000 annually—just in Virginia. For the three year term of this ICA, AT&T's costs would increase anywhere from \$6,414,000 to \$10,749,000.<sup>69</sup>

AT&T's proposals, in contrast, would have little or no impact on Verizon. Verizon's annual interconnection costs under AT&T's proposal would be only \*\*\*  
**BEGIN PROPRIETARY**      **END PROPRIETARY** \*\*\* cents per line, per month,  
and even that low number overestimates Verizon's actual cost since it is based on Verizon's cost being equal to its exchange access rates. By comparison, AT&T's costs

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<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> Verizon points to nothing in the Act, nor can it, suggesting that AT&T must provide Verizon the ability to deliver its traffic to AT&T's collocation arrangements.

<sup>69</sup> AT&T Exh. 3 at 45. The high end of this range is the more reasonable amount considering (1) that Verizon's contract terms are silent AT&T's right to overflow traffic to a Verizon tandem, (2) Verizon's vociferous complaints about tandem exhaust in its testimony and (3) that to allow traffic to overflow to Verizon's tandem would make Verizon financially responsible for the transport of its traffic between its end office and tandem switches, which AT&T would otherwise be obligated to carry.

under Verizon's proposal would be over 100 times as high—\*\*\* **BEGIN**

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Adding insult to injury, AT&T's higher costs under Verizon's proposal would translate into a Verizon revenue windfall, because most, if not all, of AT&T's additional costs would be for Verizon transport services AT&T would have to purchase.<sup>71</sup> This "double blow" would only serve to further suppress investment while strengthening Verizon's monopoly chokehold on the market.

- e. **AT&T's interconnection proposal for originating and terminating financial responsibility is consistent with the law and should be adopted.**

Under AT&T's proposal, responsibility for originating, transporting, and terminating traffic is mutual and each party is financially responsible for transporting its own originating traffic to the POI on the terminating party's network and for paying for any transport and termination used to complete the traffic.<sup>72</sup> This proposal is consistent with the law and public policy.

With respect to the POI issue, AT&T is offering Verizon more flexibility than AT&T is obligated to offer under the law. Verizon and AT&T have agreed that the parties will utilize one-way trunks to exchange local and intraLATA toll traffic. A major advantage is that one-way trunks enable each party to establish POIs for its traffic independent of the other party's POI selection.<sup>73</sup> Although the Act does not grant Verizon a right to designate a POI for its traffic, AT&T is willing to provide Verizon

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<sup>70</sup> *Id.*

<sup>71</sup> *Id.* at 46.

<sup>72</sup> AT&T Exh. 3 at 33.

<sup>73</sup> *Id.*

with the opportunity to designate an independent POI for its traffic—and an opportunity to lower its costs—as long as Verizon and AT&T mutually agree to the location of Verizon’s POI.<sup>74</sup>

AT&T may be willing to have Verizon interconnect to deliver its traffic to AT&T at any number of points, including, but not necessarily limited to: AT&T collocations at Verizon serving wire centers (subject to the space concern noted above), AT&T switching centers, other carrier locations such as carrier hotels, and via mid-span fiber meets.<sup>75</sup> However, any one of these options could be problematic for AT&T under certain circumstances. Therefore, since this is an additional right not provided for by law, AT&T wants Verizon to obtain AT&T’s agreement for any such arrangement. Absent such consent, Verizon’s POI would default to the location of the AT&T switch(es) in the LATA.<sup>76</sup>

<b>Issue I.1.A Can Verizon force AT&amp;T to establish a Point of Interconnection at a particular end office, when AT&amp;T traffic to that end office reaches a certain threshold traffic level?</b>
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**I. Verizon’s proposal for mandatory end office POIs violates AT&T’s right to interconnect at any technically feasible point.**

Verizon’s proposal should be rejected because it violates AT&T’s right pursuant to § 251(c)(2) of the Act to select a POI at any technically feasible point.

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<sup>74</sup> *Id.*

<sup>75</sup> *Id.*

<sup>76</sup> *Id.* at 35.